

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

)	Case No. 11-6198 SC
)	
MACY'S, INC. and MACYS.COM,)	ORDER GRANTING IN PART AND
INC.,)	DENYING IN PART MACY'S MOTION
)	FOR LEAVE TO FILE SUPPLEMENTAL
Plaintiffs,)	<u>COMPLAINT</u>
)	
v.)	
)	
STRATEGIC MARKS, LLC,)	
)	
Defendant.)	
)	
)	

I. INTRODUCTION

Now before the court is Plaintiffs and Counter-Defendants Macy's, Inc. and Macys.com, Inc.'s ("Macy's") motion for leave to file a supplemental complaint. ECF No. 132 ("Mot."). Defendant and Counter-Claimant Strategic Marks, LLC ("Strategic Marks") opposes. ECF No. 136 ("Opp'n"). The motion is fully briefed, ECF No. 137 ("Reply"), and appropriate for resolution without oral argument under Civil Local Rule 7-1(b). For the reasons set forth below, the motion is GRANTED in part and DENIED in part.

II. BACKGROUND

This is a trademark infringement case currently set for trial

1 on December 8, 2014. The marks at issue, sometimes referred to by
2 the parties as the "Heritage Marks," include, among others, the
3 "Abraham & Straus," or "A&S" marks (collectively, "the A&S Marks").
4 Macy's alleges that it is the rightful owner and user of the
5 Heritage Marks and that Strategic Marks has willfully and
6 unlawfully infringed on its trademark rights. Strategic Marks
7 counterclaimed asserting that it is the rightful owner of the
8 Heritage Marks and that Macy's, not Strategic Marks, is the
9 infringing party. ECF No. 50 ("Am. Answer & Countercls.>").

10 When the case was filed, Macy's relied only common law rights
11 with respect to the A&S Marks. Since that time, Macy's was issued
12 two federal trademark registrations. ECF No. 132-1 ("Jason Decl.")
13 Exs. B & C. Now, Macy's seeks leave to amend its complaint "to
14 reflect these new registrations and assert infringement of the now
15 federally registered marks." Mot. at 3. Additionally, if leave is
16 granted, Macy's offers to simplify and remove certain dilution and
17 infringement claims it initially asserted against Strategic Marks.
18 Id. Strategic Marks opposes.

20 **III. LEGAL STANDARD**

21 Federal Rule of Civil Procedure 15(d) provides that "the court
22 may, on just terms, permit a party to serve a supplemental pleading
23 setting out any transaction, occurrence, or event that happened
24 after the date of the pleading to be supplemented." Rule 15(d) is
25 intended to give the court discretion and to promote the fullest
26 adjudication possible of the disputes between the parties.
27 LaSalvia v. United Dairymen of Ariz., 804 F.2d 1113, 1119 (9th Cir.
28 1986); see also Fed. R. Civ. P. 15 advisory committee's note to

1 1963 amendment.

2 "'A supplemental complaint should have some relation to the
3 claim set forth in the original pleading,' and a court may deny
4 leave to supplement a complaint on grounds of undue delay,
5 prejudice to the opposing party, or futility." Riley v.
6 Correctional Officers Grieco & Collier, No. C 13-4410 CW(PR), 2014
7 WL 129396, at *5 (N.D. Cal. Jan. 14, 2014) (quoting Keith v. Volpe,
8 858 F.2d 469, 474 (9th Cir. 1988)).

9
10 **IV. DISCUSSION**

11 In support of its motion, Macy's argues that permitting it to
12 file a supplemental complaint will promote judicial efficiency
13 without any prejudice to Strategic Marks. In Macy's view, because
14 the A&S Marks have been at issue in this case from the beginning,
15 the supplemental complaint is "relat[ed] to the claim set forth in
16 the original [complaint]," and permitting supplementation at this
17 stage would simply allow the Court to adjudicate all of Macy's
18 potential trademark claims against Strategic Marks. See Keith, 858
19 F.2d at 474. Furthermore, Macy's argues that Strategic Marks will
20 not be prejudiced if the complaint is supplemented because they
21 have had the opportunity for extensive discovery into the A&S Marks
22 and, in any event, "[t]he fact that Macy's is now asserting
23 infringement of federally registered trademarks in addition to the
24 common law does not require additional fact or expert discovery."
25 Mot. at 5.

26 Strategic Marks disagrees for two reasons. First, Strategic
27 Marks argues that Macy's supplemental complaint shifts the focus of
28 the action from the use of the A&S Marks and others "with respect

1 to retail department stores" to include claims "having to do with
2 t-shirts and tote bags." Opp'n at 4. Second, Strategic Marks
3 argues that it did not have a chance to conduct adequate discovery
4 into the issues raised in the supplemental complaint. Strategic
5 Marks contends additional discovery into these claims is
6 particularly important here because registered trademarks are
7 entitled to a presumption of validity. See Zobmondo Entm't, LLC v.
8 Falls Media, LLC, 602 F.3d 1108, 1113 (9th Cir. 2010) ("[F]ederal
9 registration provides 'prima facie evidence' of the mark's validity
10 and entitles the plaintiff to a 'strong presumption' that the mark
11 is a protectable mark.") (quoting 15 U.S.C. Sections 1057(b),
12 1115(a); KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.,
13 408 F.3d 596, 604 (9th Cir. 2005)). Without access to additional
14 discovery, Strategic Marks believes it "will be left with no tools
15 or ability to overcome this presumption of validity and to prove
16 that these registrations are invalid under a heightened standard of
17 proof." Opp'n at 7.

18 Strategic Marks' first argument, that the supplemental
19 complaint shifts the focus of the action from Macy's use of the
20 marks with respect to stores to t-shirts and tote bags, is
21 baseless. In fact, Macy's cites dozens of document requests,
22 interrogatories, depositions, and requests for admission all
23 probing Macy's use of the Heritage Marks (including the A&S Marks)
24 on, among other things, t-shirts and tote bags. Reply at 3-9
25 (citing numerous examples). Furthermore, as Strategic Marks itself
26 claims, "[s]ubsequent to Strategic Marks' first use of Defendant's
27 Service Marks, Macy's began using in commerce the Macy's Infringing
28 Marks, and offering for sale and selling products bearing the

1 Macy's Infringing Marks." Am. Answer & Countercls. ¶ 23 (emphasis
2 added). Indeed, as Macy's puts it, "Macy's use of its Heritage
3 Marks on t-shirts and tote bags has not only been a topic of
4 discovery, but it has been a focus of discovery." Reply at 2.

5 Next, Strategic Marks claims that it will be prejudiced by the
6 attachment of the presumption of validity for registered marks.
7 The Lanham Act provides that "[a] certificate of registration of a
8 mark upon the principal register . . . shall be prima facie
9 evidence of the validity of the registered mark and . . . of the
10 owner's ownership of the mark, and of the owners' exclusive right
11 to use the registered mark" 15 U.S.C. § 1057(b). The
12 presumption of validity embodied in Section 1057(b) is rebuttable,
13 and "the non-registrant can rebut this presumption by showing that
14 the registrant had not established valid ownership rights in the
15 mark at the time of registration" Sengoku Works Ltd. v.
16 RMC Int'l, Ltd., 96 F.3d 1219, 1220 (9th Cir. 1996). Strategic
17 Marks apparently seeks to do exactly that, as it states that it
18 "believes that the trademark registrations . . . are invalid for
19 several reasons." Opp'n at 7. Specifically, Strategic Marks
20 argues it will be prejudiced by the amendment because it lacks
21 discovery into at least two issues: (1) whether Macy's has made
22 "bona fide commercial use" of the A&S Marks, and (2) whether Macy's
23 use of the A&S Marks is merely ornamental. Opp'n at 6.

24 Ultimately this is a close question, but the Court is
25 persuaded that Strategic Marks will be unduly prejudiced by
26 permitting amendment at this stage. Some of Macy's arguments to
27 the contrary are meritorious. For example, Strategic Marks does
28 appear to have obtained at least some discovery relevant to these

1 issues. See, e.g., ECF No. 139-1 ("Second Jason Decl.") at Ex. G
2 ("Requests for Admission") No. 114 (seeking an admission that one
3 purpose of Macy's use of the Heritage Marks "is decorative").
4 Nevertheless, Strategic Marks is apparently concerned not just
5 about its inability to obtain factual discovery of these matters,
6 but also expert discovery. Opp'n at 5-6. While Macy's argues that
7 Strategic Marks had the ability to seek expert discovery of these
8 issues were it interested in doing so, the necessity of doing so
9 appears not to have been clear until after the fact and expert
10 discovery deadlines passed in 2013. Furthermore, this issue is
11 amplified by the length of time Macy's waited before seeking to
12 file a supplemental complaint. The registrations Macy's seeks to
13 add to its claims were issued on January 28, 2014 and August 5,
14 2014. Yet this motion was not filed until October 2, 2014,
15 approximately two months after the last registration was issued,
16 two months prior to trial, and well over a year after fact and
17 expert discovery closed. See Opp'n at 2. Perhaps if Macy's had
18 moved to supplement its claims in January after the first
19 registration had been issued, the Court would have had time to
20 grant additional discovery to address these issues. However it is
21 now the eve of trial, and any opportunity to alleviate the
22 potential for prejudice is now gone. Accordingly, the motion must
23 be DENIED.

24 Nonetheless, one issue remains. In its moving papers, Macy's
25 also notes that "if permitted to supplement its Complaint, Macy's
26 would take the opportunity to simplify and remove claims originally
27 asserted against the defendant" Mot. at 3. Strategic
28 Marks appears to have no objection to that, and in fact notes that

1 it relied on Macy's assurances at the pretrial conference that
2 Macy's would do just that. Accordingly, if Macy's still wishes to
3 simplify and remove claims which it no longer intends to pursue,
4 the Court GRANTS that request.

5
6 **V. CONCLUSION**

7 Because Macy's moved to add these claims "so late in the day,"
8 the Court finds that Strategic Marks will be unduly prejudiced by
9 Macy's proposed supplemental complaint. See Walker v. United
10 Parcel Serv., Inc., 240 F.3d 1268 (10th Cir. 2001). Accordingly,
11 Macy's motion to supplement its complaint to add the federal
12 registration of the A&S Marks is DENIED. Nonetheless, the Court
13 GRANTS leave for Macy's to simplify and remove claims it no longer
14 wishes to assert against Strategic Marks.

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16 IT IS SO ORDERED.

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18 Dated: November 20, 2014



19 UNITED STATES DISTRICT JUDGE
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